

Message Text

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PAGE 01 EC BRU 04335 192236Z

62

ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 FEA-02 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 EB-11 FRB-02 H-03 INR-10 INT-08 L-03

LAB-06 NSAE-00 NSC-07 PA-04 RSC-01 AID-20 CIEP-02

SS-20 STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 SP-03

OMB-01 SWF-02 DRC-01 /194 W
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FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC PRIORITY 7079

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION GENEVA

USMISSION OECD PARIS

LIMITED OFFICIAL USE EC BRUSSELS 4335

C O R R E C T E D C O P Y (FOR MRN 4335 VICE 4325)

E.O. 11652: N/A

TAGS: ETRD, GATT, IT, EEC

SUBJECT: CHANGE IN ITALIAN IMPORT DEPOSIT SCHEME

REF: GENEVA 3690

1. SUMMARY: THE EC COMMISSION HAS DECIDED THAT
ITALIAN IMPORT DEPOSITS SHOULD NOW BE CALCULATED ON
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PAGE 02 EC BRU 04335 192236Z

THE BASIS OF THE CIF VALUE OF GOODS, PLUS DUTIES

AND LEVIES. THIS WILL INTRODUCE A SLIGHT DISCRIMINATORY EFFECT FOR US EXPORTS. END SUMMARY.

2. THE EC COMMISSION HAS DECIDED EFFECTIVE JUNE 19 THAT THE ITALIAN IMPORT DEPOSIT SCHEME SHOULD BE REVISED. ONCE THE REVISION IS IMPLEMENTED, IMPORTERS WILL HAVE TO DEPOSIT A SUM EQUAL TO FIFTY PERCENT OF THE SUM OF THE CIF VALUE PLUS RPT PLUS ANY DUTY OR LEVY. THE AMOUNT OF THE DEPOSIT HAS UP TO NOW BEEN BASED ON THE CIF VALUE, OMITTING ANY DUTY OR LEVY.

3. THE POSSIBILITY OF SUCH A REVISION WAS MENTIONED IN A PRIVATE CONVERSATION BY GUNDELACH DURING THE US/EC CONSULTATIONS.

GUNDELACH ARGUED THAT THE CHANGE WOULD BE DESIRABLE IN THAT IT WOULD LEAD TO AN EARLIER END TO THE DEPOSIT SCHEME AS A WHOLE. LARDINOIS IS REPORTED ALSO TO HAVE ADVOCATED THE CHANGE. WE KNOW THAT COPA WAS IN FAVOR OF IT. LARDINOIS' AND COPA'S POSITION MAY BE RELATED TO AN ARGUMENT THAT HAS BEEN MADE TO US BY A COMMISSION OFFICIAL. THIS IS THAT THE REDUCTION IN DEPOSITS RESULTING FROM THE ELIMINATION IN THE DEPOSIT REQUIREMENT FOR CERTAIN AGRICULTURAL PRODUCTS WOULD IN SOME MEASURE BE BALANCED OFF BY THE INCREASE IN DEPOSITS RESULTING FROM TAKING DUTIES INTO ACCOUNT. WE UNDERSTAND THAT THE YUGOSLAVS ARE PARTICULARLY CONCERNED ABOUT THE COMMISSION ACTION.

4. DEKERGOLAY, DEPUTY GENERAL FOR EXTERNAL RELATIONS, IS REPORTED TO HAVE INFORMED THE EFTA REPRESENTATIVES OF THE COMMISSION'S DECISION ON JUNE 18, PURSUANT TO THE CONSULTATION PROVISIONS OF THE EC-EFTA AGREEMENTS. THE COMMISSION INTENDS TO NOTIFY THE GATT FORMALLY AS SOON AS POSSIBLE.

5. IT APPEARS TO THE MISSION THAT THE EFFECT OF THIS REVISION IS TO INTRODUCE AN ELEMENT OF DISCRIMINATION INTO THE DEPOSIT SCHEME. THE DEPOSIT REQUIRED ON GOODS IMPORTED FROM OUTSIDE SUPPLIERS, LIMITED OFFICIAL USE

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PAGE 03 EC BRU 04335 192236Z

LIKE THE US, WILL INCREASE, WHILE THE DEPOSIT ON IMPORTS FROM OTHER EC COUNTRIES WILL REMAIN THE SAME. (SOME COMMISSION OFFICIALS HAVE MADE THE ARGUMENT TO US THAT THE REVISION RESTORES THE RELATIVE MARGIN OF PREFERENCES FOR COMMUNITY PRODUCTS.) THE INCREASE SHOULD IN MOST CASES BE SMALL, IN THAT MOST AGRICULTURAL PRODUCTS OF INTEREST TO THE US ARE EXEMPT FROM THE DEPOSIT SCHEME, AND MOST CXT DUTIES ON INDUSTRIAL

PRODUCTS ARE RELATIVELY LOW. FOR EXAMPLE, ASSUMING
AN AVERAGE INDUSTRIAL DUTY OF 8 PERCENT AND AN
INTEREST RATE OF 12 PERCENT, THE EFFECT SHOULD BE
AN INCREASE OF 0.24 PERCENT IN THE COST OF AMERICAN
GOODS. GREENWALD

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